

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
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FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 3179
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C O N F I D E N T I A L TEHRAN 5486
E.O. 11652: XGDS-1
TAGS: EFIN MMOL UK IR
SUBJ: IRAN/BRITISH FINANCIAL ASSISTANCE AND MILITARY PROCUREMENT

REF: 76 TEHRAN 1402

1. RELIABLE SOURCE REPORTS THAT BRITISH AMB TO IRAN SIR ANTHONY PARSONS TOOK THE INITIATIVE TO SEEK MILITARY SALES ORDERS FROM IRAN IN LIEU OF LAST \$400 MILLION CREDIT DUE FROM GOI TO LONDON WATER BOARD THIS YEAR. KNOWING THAT WATER BOARD DID NOT NEED THIS \$400 MILLION BALANCE OF THE \$1.2 BILLION CREDIT (SEE REFTEL), PARSONS PUT TOGETHER A PACKAGE OF IRANIAN MILITARY PURCHASES VALUED AT \$250 MILLION WHICH WOULD BE OFFERED IN TRADE TO GOI FOR RELEASE FROM FINAL CREDIT EXTENSION. REPORTEDLY, HMB RESPONSE WAS AFFIRMATIVE AND GOI, RECEPTIVE TO PROSPECT OF RELIEF FROM THIS NOW UNWANTED FOREIGN CREDIT EXTENSION, IS ACTIVELY CONSIDERING THE MILITARY PACKAGE.

2. THE PACKAGE REPORTEDLY INCLUDES: FOUR (4) SUPPLY SHIPS VALUED AT \$90 MILLION, AND EXTRA SUPPLY (E.G. 110) OF VICKERS SCORPION TANKS AND THE ADVANCEMENT OF PURCHASE OF ARMORED RECOVERY VEHICLES; TOTAL PACKAGE VALUED AT \$250 MILLION.

3. BRITISH VIEW THE PACKAGE AND PROPOSAL HIGHLY VALUABLE
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IN POLITICAL TERMS. THE SUPPLY SHIPS WOULD BE BUILT BY YARRO AT GLASGOW, A FIRM REPORTEDLY WITHOUT ANY SHIP ORDERS AND AN AREA POSING UNEMPLOYMENT CONCERNS FOR HMG. OTHER ITEMS LIKEWISE REPORTEDLY BOOST ECONOMIC/EMPLOYMENT ACTIVITY IN CRITICAL AREAS OF UK ECONOMY.

4. THIS PROPOSAL IS TIGHTLY GUARDED BY BOTH PARTIES.

BRITISH EMB AND MINISTRY OF ECONOMIC AFFAIRS AND FINANCE
OFFICIALS SAY ONLY THAT THERE IS NO AGREEMENT YET FOR THIS
YEAR'S \$400 MILLION DISBURSEMENT, A DISBURSEMENT WHICH WAS
DIVIDED LAST YEAR INTO TWO \$200 MILLION DRAWDOWNS AFTER MUCH
DISCUSSION AND DELAY. ASSUMPTION, GIVEN THIS YEAR'S FOREIGN
ASSISTANCE BUDGET AUTHORIZATION OF ONLY \$1.1 BILLION IN LIGHT
OF COMMITMENTS REPORTED AT \$2 BILLION, IS THAT GOI WOULD
WELCOME A RELEASE, PROPERLY FUDGED FOR THE PUBLIC, FROM THIS
FINAL \$400 MILLION OBLIGATION TO THE UK. TRADE OFF IN MILITARY
PROCUREMENT CONSIDERED FEASIBLE SINCE ITEMS ARE THOSE
IN ANY CASE EITHER IN USE OR UNDER FAVORABLE CONSIDERATION
BY GOI.
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